

Managing Returnable Packaging

Many organizations have discovered that managing returnable packaging is uniquely difficult. It seems like a simple asset allocation problem but it doesn't respond completely to the management and control methods you apply to other assets. What is it about returnable packaging that causes these difficulties?

Defining the Problem

Sometimes the way we talk about things causes us to look at them in a way that causes problems. 'Returnable packaging' may be an example of familiar terminology that is misleading. The word 'packaging' is descriptive and doesn't cause any problem. 'Returnable' however, simplifies and glosses over the nature of the situation.

The industry often uses the term 'reusable packaging'. This term better describes the object (the box, basket, rack, or tank) and its advantage; it can be reused. It ignores any connotation of 'returnable' because that's a different issue. In a presentation the statement was made, "In an uncontrolled container system losses average 15% per year." A gentleman objected that in his system the losses were between .5% and 1%. The presenter replied, "All the containers must be under your direct control." That was the case. The problem is not in the nature of the item, 'packaging', the problem is with the nature of its use, 'returnable'. 'Returnable' identifies what we hope for not the nature of its use. When we say 'returnable' we really mean that we are going to send the item somewhere and we hope and plan on its return. If it does return on time and in good condition there is no problem.

What do we do if it doesn't return on time and in good condition? If we sent our packaging some place we directly control we move it. If we sent it somewhere we don't control, we expedite. Notice that the way we address the issue is based on the amount of control we can directly exercise. Our returnables regularly move between facilities controlled by the owner of the asset and facilities controlled by non-owners of the asset or from areas of high control to areas of lesser control. The problem is directly related to the movement of the item from areas of high control to areas of lesser control. We use the term 'cyclic asset' to describe any item of value that regularly moves from areas of high control to areas of lesser control. The reason we use cyclic asset is because other things (cell phones, laptops, vehicles) have the same control problems.

Issues of Control

The issue of 'returnable packaging' is fundamentally and issue of control. Control can be casual or formal; in organizations we implement formal controls so everyone can cooperate to increase results. Formal control always require three things:

1. We must have a plan.
2. We must know how we are doing on the plan
3. We must have the will and ability to act on the difference between the plan and our current performance

There is a detailed description of formal control in the document 'Reusable Container Problems and Solutions' available through this link

<http://www.container-tracker.com/features&concepts/ReusableContainerProblemsAndSolutions.pdf>

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Controlling Cyclic Assets

The primary issue in controlling cyclic assets is the agreement between you and your partner. Usually that agreement starts informally with an understanding that the partner will use the owner's asset for certain tasks and not for others and they will quickly return the item in good condition. To establish cost effective control over cyclic assets three things are required:

1. A formal (written) plan must define acceptable use in terms of days per use. For example, you receive the container one day and return it the next; you may use it for one (the appropriate number) day(s).
2. Your partner must formally agree to the formal plan.
3. The partner must agree to compensate the owner for instances of non-performance. The easiest method to understand is renting the asset. You determine the worth of the item per day and charge the poor performing partner for days they did not perform.

You may be thinking, "My partners will never agree to that." This may well be true, but if your partners will not agree to compensating you for poor performance, you have an agreement that allows poor performance and you most certainly will it. The only thing you can do is calculate the exact cost of the poor performance and consider it when you negotiate the next agreement with your partners, and, lower your expectation of results.

I'm sure that sounds dogmatic and blunt. It is, but it accurately reflects the simple truth; your partners are beyond your direct control. You must also realize that your partner's poor performance is costing you money whether you can recuperate it or not. The many things you do, like expediting and informing your partners about their performance, are helpful only if your partner uses the information to improve their performance.

Using **ContainerTRACKER®** to Manage Cyclic Assets

ContainerTRACKER® provides all the software tools necessary to create formal control of your cyclic assets, create a performance based plan, communicate that plan instantly and automatically to you partners and calculates the cost of your partner's performance. It does this item-by-item, location-by-location, partner-by-partner. It provides the exact management information you need in millions of user selected reports. It is feature rich so it can be configured to meet you changing needs and is "a solution you cant outgrow." It can be automated to receive and generate data from external systems and programs. In fact, **ContainerTRACKER®** provides everything you need for optimum control except your partners' agreement.

You can get detailed information about **ContainerTRACKER®** on our website by clicking on this link <http://www.container-tracker.com/>.